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Order 2000-8-16



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Served: August 17, 2000

Issued by the Department of Transportation
on the 15th day of August, 2000

Essential air service at

**BECKLEY, WEST VIRGINIA
BLUEFIELD/PRINCETON, WEST VIRGINIA**

Docket OST-1997-2761- 6

under 49 U.S.C. 41731 *et seq.*

**ORDER TENTATIVELY RESELECTING CARRIER
AND ESTABLISHING SUBSIDY RATE**

Summary

By this order, the Department is tentatively reselecting Colgan Air, Inc., d/b/a US Airways Express, to provide essential air service at Beckley and Bluefield/Princeton, West Virginia, for the two-year period beginning August 1, 2000, at an annual subsidy rate of \$1,715,060, and providing for objections or competing proposals from other interested carriers.

Background

By Order 98-7-2, July 1, 1998, the Department authorized Colgan to provide subsidized service at Beckley and Bluefield/Princeton by operating 23 round trips a week from each community to Washington's Dulles International Airport with 19-seat Beech 1900 aircraft at an annual subsidy rate of \$1,255,024 for the two-year period through July 31, 1998.¹

Under normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we

¹ See Appendix A for a map. At the time, Colgan was operating as a Continental Connection code-sharer. In December 1999, however, Colgan became a US Airways Express carrier. Under the terms of previous rate orders, Colgan has been able to operate one round trip each weekday to Charlotte rather than Dulles at its own discretion to accommodate military traffic that regularly travels to and from the area through Charlotte. The carrier last exercised that option in March 1998.

invited Colgan to submit a proposal for the continuation of its essential air service at Beckley and Bluefield/Princeton beginning August 1, 2000.

Carrier Proposal

Colgan submitted a proposal in response to our request and, as a result of discussions with Department staff, has agreed to continue its present service at the communities at an annual subsidy rate of \$1,715,060 for the two-year period beginning August 1, 2000.²

Decision

After a thorough review of Colgan's proposal and its recent service history, we have tentatively decided to reselect Colgan to serve Beckley and Bluefield/Princeton for the two-year period beginning August 1, 2000, at the agreed subsidy rate. The rate appears reasonable for the service to be provided, and Colgan's performance continues to be satisfactory.

When we last reselected Colgan to serve the two communities by Order 98-7-2, we expressed our concern that, for a variety of reasons, demand at the communities may no longer justify 23 round trips a week. The communities' traffic had been declining since the early 1990s, when each of them generated more than 30 enplanements a day.³ We continue to be deeply concerned. However, in view of recent developments, we are again authorizing 23 round trips a week for another two years. Both communities showed very slight traffic gains in 1999: Beckley's traffic increased by 6.5 percent over 1998, and Bluefield/Princeton's traffic increased by 6.7 percent. More significantly, Colgan became a US Airways code-share carrier in December 1999, and early results suggest that the new marketing alliance has been beneficial. According to data submitted to us by Colgan, traffic during the first five months of 2000 was up by 30.1 percent at Beckley and by 14.7 percent at Bluefield/Princeton compared to the first five months of 1999. Under the circumstances, another two-year period should afford the carrier and communities ample opportunity to significantly improve usage of the service we are subsidizing. Once again, we will closely reexamine the communities' continuing service requirements near the end of the new rate term.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Colgan fit by Order 99-1-2, January 7, 1999, in connection with its essential air service at Augusta/Waterville, Bar Harbor and Rockville, Maine, and Rutland, Vermont. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Colgan continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, and that it continues to possess a favorable compliance disposition.

² Appendix B contains details of Colgan's compensation requirement.

³ Appendix C contains historical traffic data.

The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Colgan remains fit.

Responses to Tentative Decision

As usual, we will allow interested parties 20 days from the date of this order to object to our decision or to file competing proposals. If no timely objections or competing proposals are filed, this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that would provide at least three round trips a day from the communities to a suitable hub with twin-engine aircraft operated by two pilots.

Procedures for Filing Competitive Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁴ Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals, the communities and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.⁵

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We tentatively reselect Colgan Air, Inc., d/b/a US Airways Express, to provide essential air service at Beckley and Bluefield/Princeton, West Virginia, as described in Appendix D, for the period from August 1, 2000, through July 31, 2002;

⁴ The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the basis of handicap in Air Travel.

⁵ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

2. We tentatively set the final rate of compensation for Colgan Air, Inc., d/b/a US Airways Express, for the provision of essential air service at Beckley and Bluefield/Princeton, West Virginia, as described in Appendix D, for the period from August 1, 2000, through July 31, 2002, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$377.35;⁶
3. We direct Colgan Air, Inc., d/b/a US Airways Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
4. We find that Colgan Air, Inc., d/b/a US Airways Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Beckley and Bluefield/Princeton, West Virginia;
5. We direct any interested persons having objections to the selection of Colgan to provide essential air service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;⁷
6. If we receive objections or competing proposals within the 20-day period, Colgan will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate until all objections are resolved;
7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁸ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;

⁶ See Appendix D for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁷ Objections should be filed the Documentary Services and Media Management Division, SVC-124, Room PL-401, Department of Transportation, 400 7th Street S.W., Washington DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany at (202) 366-1061.

⁸ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

8. This docket will remain open until further order of the Department; and
9. We will serve copies of this order on the Mayors and airport managers of Beckley and Bluefield/Princeton, West Virginia, Colgan Air, Inc., d/b/a US Airways Express, and the persons listed in Appendix E.

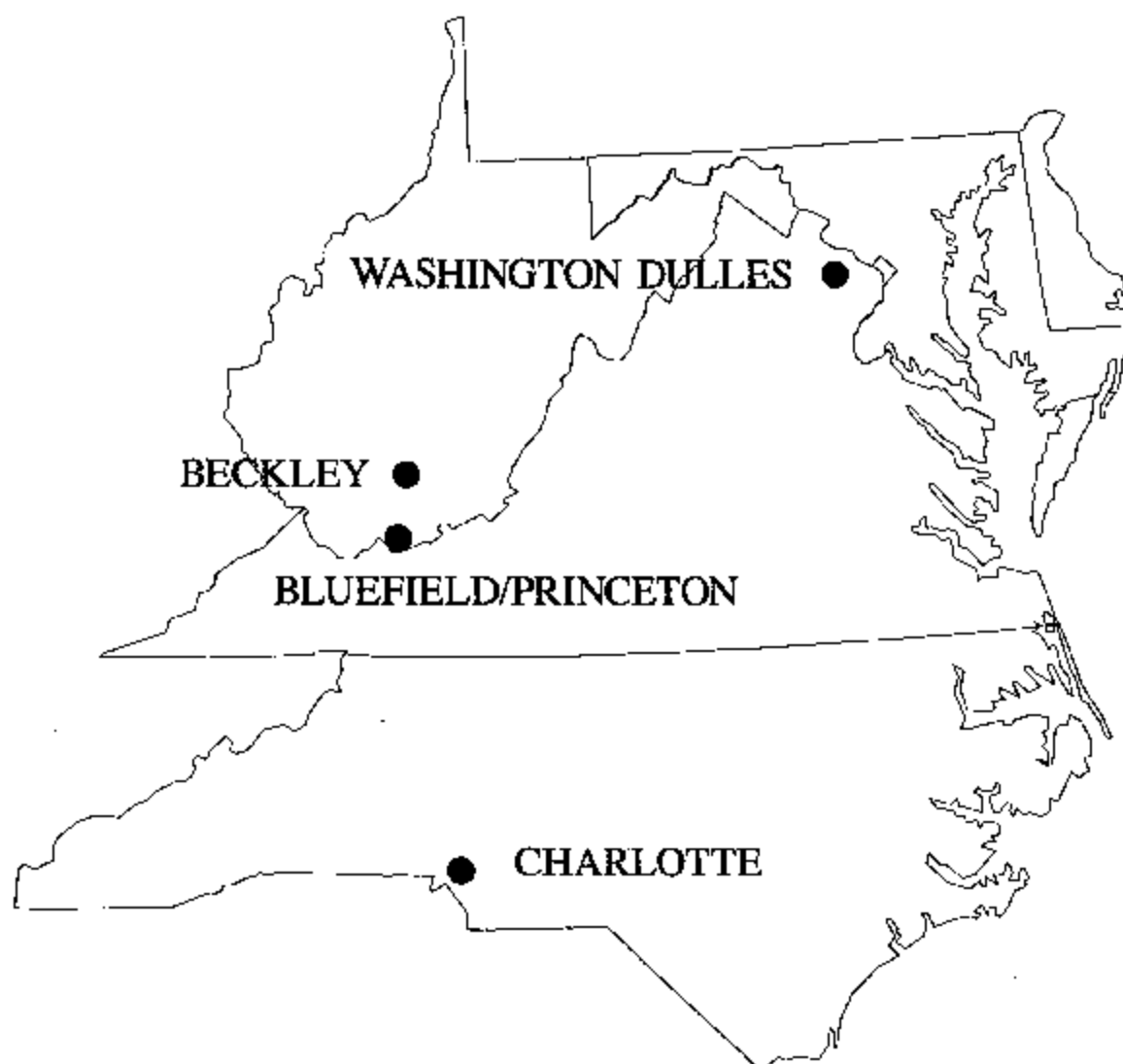
By:

FRANCISCO J. SANCHEZ
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA



APPENDIX B

COLGAN AIR, INC., d/b/a US AIRWAYS EXPRESS ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA

Flight Hours 2,505 1/

Operating Revenues:

Passenger: 6,738 BKN psgrs
4,685 BLF psgrs
11,403 total psgrs at \$112.00 \$1,277,136

Total Operating Revenues \$1,277,136

Operating Expenses:

Direct: Flying Operations (\$107.18/flt hr) 268,486
Fuel (155 gal/flt hr x \$1.25/gal = \$193.75/flt hr) 485,344
Maintenance & Reserve (\$289.40/Flt hr) 724,947
Aircraft Ownership at \$35,500/mo 426,000
Insurance at \$5,851.66/mo 70,220
Total Direct Expenses 1,974,997

Indirect: Station Salaries 157,487
Ground Handling: 1,136 x \$65.00 at IAD 49,033
Enplanement & Deplanement fees at IAD 3,136
Landing Fees: at IAD 26,008
\$350/mo at BKN 4,200
\$300/mo at BLF 3,600
Rents: \$584.56/mo at BKN 7,015
\$525.00/mo at BLF 6,300
Passenger Conveyance at \$516/mo 6,192
Security at \$41/mo 492
Psgr-related at \$12.12/psgr 138,204
Rev-related at 6.3% 80,460
Marketing & Promotions 34,440 2/
Training 99,081
G&A at 10% of all other expenses 259,065

Total Indirect Expenses 874,713

Total Operating Expenses \$2,849,710

Operating Loss \$1,572,574

Profit Element at 5.0% of Total Operating Expenses \$ 142,486

Annual Compensation Requirement \$1,715,060

1/ Weekdays: 44.0 hrs/wk x 52 weeks x .95 completion = 2,174
Weekends: 6.7 hrs/wk x 52 weeks x .95 completion = 331
2,505

2/ Includes \$24,000 for advertising.

APPENDIX C

HISTORICAL ENPLANEMENTS
AT BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA

	BECKLEY		BLUEFIELD/ PRINCETON	
	<u>TOTAL</u>	<u>PER DAY</u>	<u>TOTAL</u>	<u>PER DAY</u>
1992	8,630	27.6	7,881	25.2
1993	6,662	21.3	6,817	21.8
1994	4,191	13.4	5,137	16.4
1995	3,450	11.0	3,279	10.5
1996	2,244	7.2	1,995	6.4
1997	1,989	6.4	1,613	5.2
1998	2,223	7.1	2,115	6.8
1999	2,368	7.6	2,257	7.2
1999 1st Qtr	523		420	
2nd Qtr	567		617	
3rd Qtr	677		598	
4th Qtr	601		622	

SOURCE: BTS Form 298-C, Schedule T-1. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 service days (weekdays and weekends) each year.

COLGAN AIR, INC., d/b/a US AIRWAYS EXPRESS
ESSENTIAL AIR SERVICE AT
BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA

EFFECTIVE PERIOD	August 1, 2000, through July 31, 2002
SERVICE	23 nonstop or one-stop round trips a week between each community and Dulles International Airport. However, the carrier may operate one round trip to Charlotte each weekday at its own discretion.
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$377.35 ^{1/}
COMPENSATION CEILING EACH WEEK	\$34,716 ^{2/}

^{1/} Annual compensation of \$1,715,060 divided by 4,545 annual arrivals and departures at a 95 percent completion factor, calculated as follows: 92 dpts x 52 weeks x .95 = 4,545.

^{2/} Subsidy rate per arrival/departure of \$377.35 multiplied by 92 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this order do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

SERVICE LIST FOR THE STATE OF WEST VIRGINIA

Air Alpha, Inc.
Amerijet International, Inc.
Chautauqua Airlines, Inc.
Colgan Air
Comair, Inc.
Delta Connection
Enterprise Airlines, Inc.
Jetstream International Airlines, Inc.
Mesa Air Group, Liberty Express Division
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Northcoast Executive Airlines, Inc.
Northwest Airlink
Ohio Valley Aviation, Inc.
Pennsylvania Aviation, Inc.
Rader Aviation, Inc.
Southern Air Transport, Inc.

Chester Anderson
Ken Bannon
Sabrina Cranor
E.B. Freeman
A. Edward Jenner
John McFarlane
Eric Nordling
Mark Prange